ON THE SCENE AT THE ALA WESTERN CONFERENCE IN CALIFORNIA

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Military Market

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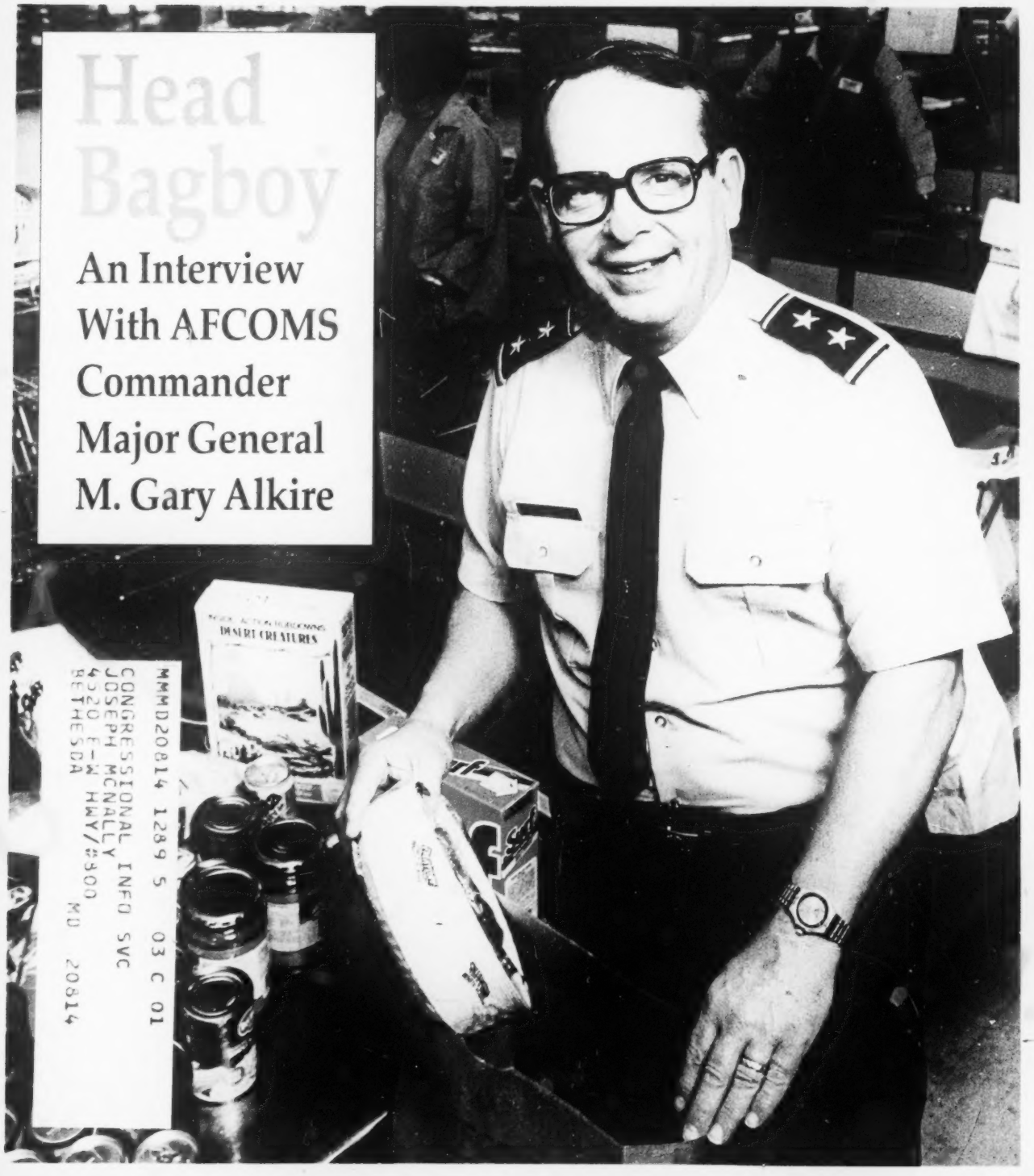
Head Bagboy

An Interview With AFCOMS Commander Major General M. Gary Alkire



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serving the military resale system

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Top Bag Boy

AFCOMS commander Major General M. Gary Alkire talks with Editor Nancy Tucker about how financial management gives AFCOMS so many stores, about distribution — and about the potential for centralized buying for Air Force commissaries.

STORE CONSTRUCTION

We use the authority given to us in 1984 of taking the surcharge account and putting it on a cash management basis. It has moved our construction program ahead four years.

Our surcharge account this year is $122 million — that's what we're going to take in. It pays for a lot of stores. It pays for modernization, it's the equipment maintenance, the paper bags and all that.

Prior to 1984, we really didn't manage our cash. We said, we're going to take in $122 million, and here's how we're going to spend it. We really didn't pay that close attention to that account, because a dollar not spent this year was available next year. We weren't tight budgeters.

But with cash management, you really pay attention. You budget your utilities monies tight, and you pay attention to the expenditure rates, because anything not spent goes into construction. And that's really paid dividends for us.

In the old days, our cash balances were going up. The Congress gave us contract authority. It solves the business of a growing cash construction backlog, which we had, and a treasury built up, because the treasury would build. We're the only service using contract authority.

Do the other services also have contract authority?

Yes, but they don't use it.

When we do our budgets, we figure out what we need for equipment and operating expenses first. By putting priority there, our major equipment problems are taken care of.

We take our budget and put it in the computer model, and we can project our payouts 'til the year 2000. At budget time, we sit here and ask a whole series of what ifs, so that we get our cash management plan to project our budget down to the gnat's eyebrow, what we think's going to happen. And we're getting pretty good at it, I think.

The other services have chosen not to do cash management contract authority for their own good reasons. That's the difference in what you see among the services for construction spending — cash management.

I've seen good discipline from the system, for our people to realize that that buck is an important buck. As we get down toward the end of the year, we start pushing money into construction.

What are the disadvantages to this?

I haven't found one.

Are the stores screaming and hollering because they don't have a lot of flex left at the end of the year?

They don't need it. A commissary officer has to manage his money tighter. He or she might say I've made life a little more complicated for them, because — in addition to having to pay attention to their inventory accounts and having to pay attention to their payroll accounts — now I'm making them pay attention to this account.

I say that's nothing more than just being a good manager in the late '80s. They need to be doing it. We need to be doing it.

DISTRIBUTION

I am very concerned that the civilian distribution system serving us in the U.S.A. is not doing a very good job. I'm not advocating a military system, but I'm saying that companies are losing a tremendous number of sales in our stores because the system they have is not working for them. I'm talking about deliveries that are bringing 85-90 percent of what we order. Sometimes bringing in 60 to 65 percent.

In too many places it's not what it ought to be. And I don't know the solution to that.

Are these companies which are direct delivering to your stores or companies using distributors?

I don't know. But I know this: That when a company on direct delivery goes out of stock at one of those stores, it's two weeks to a month before the next truck comes. So they're out of stock for two weeks to a month. The person on frequent delivery or distributor delivery may be out of stock less than that.

But in some stores, we don't have a lot of frequent delivery. They're way out in the middle — in eastern New Mexico, western Texas, and all up through the central United States, the northern

PHOTOS BY DOUG PENSINGER

Air Force Commissary Trust Revolving Fund Cash Management/Contract Authority
(in $ millions)

Fiscal Year	Construction Obligations	Contract Authority	Cash Balances
1981	$38.1		$49.4
1982	42.3		51.3
1983	31.7		66.7
1984	82.3	$22.0	86.9
1985	97.1	58.9	90.0
1986	36.6	31.9	56.6
1987	35.9	0.0	33.9
1988	62.0	0.0	37.9
1989	68.0	19.9	30.8
1990	52.0	0.0	28.9
1991	53.0	0.0	31.7

SOURCE: AFCOMS

tier bases. There's a lot of stores up there that are not being served very well.

So we can start there. We know that the company that uses frequent delivery has a better in-stock position over the long haul than the company that doesn't use frequent delivery.

And yet the takeover by Price Club of A.M. Lewis shows there's a danger in depending on a distributor.

The corollary to that is you cannot build your stores with warehouses sized to frequent delivery. You've got to build your stores with warehouses sized to the norm, because every now and then one of them has trouble. But you can't let that trouble mess up the whole system.

One of my basic philosophies is that we should have at least three distributors doing frequent delivery in any store. A little competition helps.

FORWARD BUYING

When we build a warehouse sized for regular delivery, and then we have a lot of frequent delivery, that's not bad. Because what we can do is do some forward buying, for products at good discounts, and continue a sale into the next month.

We don't do that as well as we ought to. I admit that. We just aren't doing it as often, as much, as we should.

Some people say you forward buy the wrong products.

We might be, and we might not be. Maybe the person who didn't have their product bought on forward buy might be saying that.

To some extent, you're forward buying low consumption commodity-type items — you get a special price on tuna fish so you load up on tuna fish. But often forward buys are done for high consumption, impulse-type items. They're add-on sales.

The region director and the store manager have to come down to a decision of value to the customer. Sometimes a high-moving, 10-percent reduction is better than a slow-moving, 20-percent reduction. And that's the decision they have to make.

Since forward buying is a new concept at AFCOMS, what are you doing to teach your people how to do it well?

The region directors are doing some of it. We're going to have all of the commissary officers together in May, and the focus of that is going to be on training. One of those sessions is going to be a primer on frequent delivery — not what is it, but some very specific down and dirty on how you need to work frequent delivery to get the most out of it for your store.

I've never signed up to the idea of smaller warehouses on the stores, because of the concern of what happened in California, what's happening up in the northeast, where a distributor wasn't doing well at one of our stores and most everything has dropped off frequent delivery.

You cannot assume that frequent delivery will always be there.

My point is, having sized a store that way — large — it's not nonproductive. Because if we do our forward buys right, we'll use the warehouse productively.

Another thing that we're playing with is, where we have some warehouse space, setting up a caseload buying area. For example, we might have a couple hundred items back there that are really deep discounts. They may or may not be in the main store, but you can come back in the warehouse and buy a case pack. I'm not sure we'll do it, but you can use the space for that. You say, give me the world's best price for paper towels. It might be like the answer to Sam Walton's Walmarts, you know?

It's an interesting concept. You'd have to watch your people, though, to make sure they weren't just buying stuff in order to fill that area.

You're right, it would have to be very deep discounts. There's not a lot of items — maybe a hundred. And what

"Contract authority is the authority to use cashflow. You can see the cash balances we were building in the early '80s, before we got contract authority, because the payout doesn't start paying out that fast. 1984 was the first time we did it, and in '85 you see what we did with construction programs — really hitting it hard. You can see the cash balance coming down. Our goal is to get it down to $20 million. Once you go below $20 million, it's not that precise a thing. So how much do we have in the bank? About $30 million. That's not much."

was there this week might not be there next week. It's whatever had a good price on it.

Where we've done that, the intriguing thing that happens is the manufacturers of what's in the main store dropped their prices in some cases. It has an intriguing impact on lowering prices in the main store that we don't understand yet. So we need to play with that to see how it goes.

OVERSEAS DISTRIBUTION

In the past, you've said you feel that U.S. distributors can reduce overseas ship time.

It seems to me that we have two overseas distribution cases.

One case is Northern Europe, where you've got in Germany and in England a large number of stores generally concentrated.

Then the second case is the Mediterranean, and similar to it is the Pacific, where you have a large number of stores spread all over the place. The Pacific and the Mediterranean are different in that the Pacific tends to be higher volume stores than the Med, which is a whole bunch of small stores.

I think the answer to those two cases is different.

Take the case of the Mediterranean and Pacific stores. We send the orders from Turkey into Robins AFB; we'll do that more efficiently a year from now. A distributor can get that order and pump it out that night to the port, and just cut the distribution time to smithereens, and do it very efficiently.

The problem is getting the product to the port in the least amount of time and getting it on its way. And that's where we truly save time on Turkey — all we did was eliminate the front-end time. Here's the order, fill it, and get rid of it. A modern U.S. distributor that's on the East Coast ought to be able to do that — it's a piece of cake.

Now, in Northern Europe, the case may be different. I don't prejudge that. It looks like to me you've got some different cases there. For example, in Germany we've got big stores with big warehouses already. We've got some small stores near them. Maybe we need to service that small store from a big store.

We do that very neatly here in San Antonio — we have Kelly, Lackland, and Brooks all tied together. There is no Kelly warehouse. There is no Brooks warehouse. They make their order, put it on a modem, send it into Lackland, and it's delivered. We have, in essence, a San Antonio distribution system.

Where you've got a lot of smaller stores, maybe you need a distribution center. I don't know about all that.

We need to let the study that the Army is running proceed. But I really think a lot of our problem can be solved by a U.S. distributor.

What about the Pacific?

We're going to try and do Guam like we've done Turkey. I hope to have that running by this time next year. What we're doing now is getting ourselves settled in on the West Coast and find out where we want to run it from. The McClellan warehouse may not be big enough to do that. We're still sorting that out.

The key to that is the arrangement for the containers. The Air Force runs a container facility at Robins AFB. It ships through Robins all the parts and pieces that can go by surface transportation. So, they just arrange for a few more containers.

McClellan does the same thing on the West Coast. So, it's just a matter of making an arrangement with them and sorting out the financing and the contracting.

AUTOMATION AND CENTRAL PRICING

We do price management every day in every region. That's pretty much an administrative process. We can just as well do it once.

We won't eliminate price management in the region.

What we'll be doing is putting in the national sale prices or the zone prices; we have to have a system that recognizes zone prices. We'll be putting in the prices the companies give us. The regions will still have to feed in the region prices, and any local contracts they have and things like that — bread and milk and all that stuff.

We figure we can save 15 to 20 jobs.

It ought to make it easier for industry to work with us. We ought to be able to take price changes electronically, so industry can feed it to us electronically and not have to rely on paper.

We say it's going to be going by next summer, but it's probably going to be fall before it's running at full steam.

Everything on the supply bulletin will be controlled through here. If a region can negotiate a lower price, then they will change the price in their region. They'll have the capability to lower the price.

Then they'll let you know they got a lower price, and you'll strongarm the salesperson to get that price nationally.

Oh, we might do that.

If a store manager, a commissary officer, can work a lower price than his region, it just goes in. If you get a lower price for a single store, then the region can put the price into that store.

It's going to take out all that administrative trivia.

Something is happening in AFCOMS that one of your predecessors told me would never happen — that you would never have a big number cruncher at AFCOMS headquarters. But now you've got enormous computer capacity. You're going to have central file maintenance. You've got a group of product managers who look remarkably like buyers — or who could be turned into buyers like at the headquarters of any supermarket chain. You've got the ability to do almost all of your buying — except for your regional and local stuff — right here at the headquarters.

The reality is the commissary officer. We can't buy for the stores.

But you're getting to the point where you can. ACOS will let you do that and CAMI will let you do that. Within a couple of years, you will have the capacity to find out at this headquarters what's sold in a particular store three hours after it's sold. If you know that for all of your stores and you can tell your product managers that information, why can't they do the buying for all your stores?

That capability is not there today.

But you could get it.

Could we get it? Yes, we could. But right now I would like to think I have a wall built so that we cannot watch store operations.

Now, we can dial into any store. We do that from the computer side to help with problems. But as far as dialing into a store and watching consumption or operations? We don't have the people up here to do that. I've carefully made sure that we don't have that many people.

You've got 85-percent accuracy in your inventory records now.

But what we don't have here is the feel from 100 commissary officers as to what's going to happen with a given discount or the given differences in their communities.

We don't know what's going to be true five to 10 years from now. You know, five years ago, we didn't have what we do now. We didn't have a mainframe in this building. Right now, I've got four rooms full of them.

We believe the commissary officer has to be responsible for the order and the management of the inventory.

It would be very simple in Turkey to get his inventory on the computer at Robins and ship replacements. But then that removes from that person the responsibility to have the right product, to have the inventory.

A commissary officer has to be responsible for his inventory and his order. That has to be there. And I don't see that changing. Ten years from now it could change. You can't ever say never.

You've got the infrastructure built to do it.

Yes, but we didn't build it to do that.

No, but that's what's happening.

We've got eight product managers down the hall, if we'd ever get them all hired. They keep moving; they get promoted.

They're cast to be experts in their commodity so that we have a better chance of working on a professional relationship with companies that come in offering discounts on products.

What we have done with them is we've developed a master stock list, and I don't think that list ought to get much bigger than it has — 4,000 items is big enough.

I can see them doing those kinds of things. But we're nowhere near the ability to do that kind of work. We are nowhere near it. The central price maintenance is nothing more than an administrative function. All we've done is simply centralized an administrative function. The leadership and management functions have got to stay in the trenches.

Can you centralize your payments?

Interesting you mention that . . . .

In the Air Force, the finance centers pay the commissary bills. The commander of the finance center and I now meet three or four times a year. We are going to pick a base and we are going to put into that base the hardware and software to electronically push that base as far as it will go — electronically order, electronically receive, electronically invoice, electronically pay. Do the whole thing, and find out what's there.

So, we're thinking about it. We see where it's easy to do that. And the savings to the Air Force are in the finance offices. The savings are to us in fewer administrative people in the background.

When do you think you'll have this test up?

It's going to take a long time.

How long is a long time? Will you see it while you're here?

I hope so.

SHELFSTOCKING

I don't see it as an issue.

The only place we could find that we were not getting vendor shelf stocking was health and beauty aids. We were looking at rackjobbers.

In the course of looking at the rackjobbers, the industry decided that they would rather stock it themselves than have us go to a rackjobber.

So, we sense that that issue has disappeared. If it hadn't, we would have to go back to rackjobbers. Rackjobbers are expensive, but they have a lot of benefits to them.

As long as industry steps forward and does it, then we don't have to worry about it. MM

MERCHANDISING

Over 30, Barbie signs up for the Army

AAFES buyers have negotiated with Mattel Corp. to introduce a new Army Barbie doll.

The doll, which will debut next spring, will be sold exclusively in Army and Air Force exchanges and collector's shops for one year. After that, the doll will be marketed to the general retail trade.

Captain Barbie will wear a replica of the authentic Army dress uniform. She will retail for $14.95 in exchanges.

In other AAFES toy news, it seems Santa wasn't the only one busy last Christmas. AAFES toyland sales jumped last year.

Sales increased $1 million between February and December, well over the figure for the full calendar year 1987, according to toy buyer John Akridge.

"Our toy sales have always increased a great deal every year," added toy buyer Joyce Marrow.

AAFES buyers attribute the healthy figures to effective inventory management, including a better selection of goods and a wider stock of top selling items, said Akridge.

Also, exchanges opened their toylands in September — much earlier than in previous years — to encourage patrons to get an early start on their holiday shopping.

Some of the best-selling toys in exchanges are also popular among civilian retailers. These included Micro Machines, Ghostbuster figures, Starting Line-Up sports figures, Hot Wheels Color Racers, Nintendo and the ever-popular Barbie.

TSA's western region has new presentation policy

The Western Commissary Region of the Troop Support Agency has instituted a new policy for new item presentation.

The original policy, dated Jan. 1, 1989, was misinterpreted by manufacturers, so the region will send out a clarified version toward the end of February or early March.

Gloria Ellis, chief of the logistics management branch, told MILITARY MARKET that the policy allows for no more than three product lines to be presented during one interview with a commissary officer. New items can be presented anytime, provided the representative makes an appointment with the commissary officer.

WECOR will conduct total commodity reviews according to a cyclical schedule, Ellis said. The schedule will be published along with the notice, but was unavailable at press time. Each commodity group will be reviewed once a year.

Although the original notice stated that items must be on the Master Item Identification List (MIIL) and the Regional Authorized Item List (RAIL) before they can be presented, that is not the policy, Ellis explained.

Items need *only* be on the RAIL (WECOR's authorized item list) to be presented. Although WECOR asks that an item be placed on the MIIL as soon as the region approves it, this often takes time. Therefore, manufacturers do not have to wait for MIIL approval.

Ellis said that the new policy will make it easier for commissary officers as they hear presentations, and it will allow representatives to present their top lines.

"A lot of companies will bring a lot of products in and it takes up so much time," Ellis said, as justification for the new policy.

The new policy, in its intended form, is still considered effective as of Jan. 1.

Coupon use is up in commissaries

Coupon use and average face value rose in most commissary systems during fiscal 1988.

The Troop Support Agency reports that usage increased by 13 percent compared with fiscal 1987. Usage was also up 13 percent in the Marine Corps, but average face value declined from 31.9¢ to 31.8¢.

Air Force Commissary Service figures show that coupon use was up 9.2 percent in its stores. Average face value was up from 46.5¢ in fiscal 1987.

AFCOMS data shows that face value has risen steadily during the '80s. In fiscal 1982, average face value was 23.7¢; in fiscal 1983, it jumped to 27.1¢. Between fiscal 1983 and fiscal 1986, as coupons began appearing on cigarette cartons, the average face value jumped to 40.3¢. In fiscal 1987, the average face value jumped again, from 40.3¢ to 46.5¢.

Fiscal 1988 Coupon Redemptions in Commissaries

	No. redeemed	$ value	Avg. face value
AFCOMS	116,973,805	$56,647,785	48.4¢
Marine Corps	6,956,526	2,210,235	31.8¢
NAVRESSO	38,358,198	13,338,547	34.7¢
TSA	77,600,000	39,381,737	50.7¢

SOURCE: AFCOMS, USMC, NAVRESSO, TSA

Military Market index

COMMISSARIES

		NOVEMBER			YEAR TO DATE		
		CY'88	CY'87	% CHANGE	CY'88	CY'87	% CHANGE
	CONUS	$173,957	$149,558	16.31	$1,808,633	$1,765,621	2.44
	OVERSEAS	38,188	29,647	28.81	406,679	375,078	8.43
AIR FORCE	TOTAL	**212,145**	**179,205**	**18.38**	**2,215,312**	**2,140,699**	**3.49**
	CONUS	118,440	108,990	8.67	1,269,485	1,238,265	2.52
	OVERSEAS	44,205	40,635	8.79	474,495	440,790	7.65
ARMY	TOTAL	**162,645**	**149,625**	**8.70**	**1,743,980**	**1,679,055**	**3.87**
	CONUS	65,389	62,632	4.40	711,916	691,678	2.93
	OVERSEAS	7,069	6,767	4.46	80,180	77,171	3.90
NAVY	TOTAL	**72,458**	**69,399**	**4.41**	**792,096**	**768,850**	**3.02**
	CONUS	14,349	12,485	14.93	153,164	148,770	2.95
	OVERSEAS	323	275	17.45	3,355	3,105	8.05
MARINE CORPS	TOTAL	**14,672**	**12,761**	**14.98**	**156,519**	**151,875**	**3.06**
	CONUS	277	250	10.80	2,941	2,753	6.83
	OVERSEAS	244	331	-26.28	3,162	3,352	-5.67
COAST GUARD	TOTAL	**521**	**581**	**-10.33**	**6,103**	**6,105**	**-0.03**
	CONUS	$372,412	$333,915	11.53	$3,946,139	$3,847,087	2.57
ALL	OVERSEAS	$90,029	$77,655	15.93	$967,871	$899,496	7.60
COMMISSARIES	TOTAL	**$462,441**	**$411,570**	**12.36**	**$4,914,010**	**$4,746,583**	**3.53**
GROCERY STORES	*U.S.[1]*	*$25.961*	*$23.947*	*8.41*	*$282.891*	*$269.682*	*4.90*

EXCHANGES

		NOVEMBER			YEAR TO DATE		
		CY'88	CY'87	% CHANGE	CY'88	CY'87	% CHANGE
	CONUS	$306,714	$295,080	3.94	$3,057,836	$2,887,937	5.88
	OVERSEAS	232,359	230,208	0.93	2,407,770	2,188,831	10.00
AAFES	TOTAL	**539,072**	**525,287**	**2.62**	**5,465,606**	**5,076,768**	**7.66**
	CONUS[2]	133,009	110,561	20.30	1,143,622	1,046,861	9.24
	OVERSEAS[2]	54,654	44,842	21.88	494,375	449,959	9.87
NAVY	TOTAL[2]	**187,662**	**155,403**	**20.76**	**1,637,997**	**1,496,820**	**9.43**
	CONUS	34,782	32,266	7.80	335,737	323,915	3.65
	OVERSEAS	5,252	5,424	-3.17	56,977	55,683	2.32
MARINE CORPS	TOTAL	**40,034**	**37,690**	**6.22**	**392,714**	**379,598**	**3.46**
	CONUS[3]	7,121	7,266	-2.00	71,958	73,426	-2.00
	OVERSEAS[3]	530	541	-2.03	5,360	5,469	-1.99
COAST GUARD	TOTAL[3]	**7,651**	**7,807**	**-2.00**	**77,317**	**78,895**	**-2.00**
	CONUS[4]	1,541	1,829	-15.75	13,783	14,815	-6.97
	OVERSEAS[4]	2,622	2,974	-11.84	22,278	24,648	-9.62
MAIL ORDER	TOTAL[4]	**4,163**	**4,803**	**-13.33**	**36,061**	**39,462**	**-8.62**
	CONUS	$483,167	$447,002	8.09	$4,622,936	$4,346,954	6.35
	OVERSEAS	$295,417	$283,989	4.02	$2,986,760	2,724,590	9.62
ALL EXCHANGES	TOTAL	**$778,584**	**$730,991**	**6.51**	**$7,609,696**	**$7,071,544**	**7.61**
DEPARTMENT STORES	*U.S.[1]*	*$15.799*	*$14.685*	*7.59*	*$129.231*	*$123.206*	*4.89*

1) SOURCE: U.S. Department of Commerce. 2) Does not include sales of ship stores. 3) MM estimate, based on official data. 4) Includes consolidated sales for all services, including Coast Guard. NOTE: Individual figures may not add to totals because of rounding. All sales are expressed in thousands (add 000), except grocery stores and department stores, which are in billions. Commissary sales include appropriate surcharges; exchange sales include concession volume.
NOTE: Distribution of sales by CONUS and overseas is based on definition by respective service and system. Figures do not include sales tax.